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IN THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

IN RE)	
)	
UNITED CITIES GAS COMPANY,)	
a Division of ATMOS ENERGY)	Consolidated Docket Nos 01-00704 and
CORPORATION INCENTIVE)	02-00850
PLAN (IPA) AUDIT)	
)	
UNITED CITIES GAS COMPANY,)	
a Division of ATMOS ENERGY)	
CORPORATION, PETITION TO)	
AMEND THE PERFORMANCE)	
BASED RATEMAKING)	
MECHANISM RIDER)	

**SECOND SUPPLEMENTAL RESPONSE OF ATMOS ENERGY CORPORATION TO
THE ATTORNEY GENERAL'S WRITTEN DISCOVERY**

Atmos Energy Corporation ("Atmos" or "the Company") provides this Second Supplemental Response to the Written Discovery served by the Tennessee Office of the Attorney General, Consumer Advocate and Protection Division ("CAPD"). The following comprises the supplemental answer to Interrogatory No. 11, which was inadvertently omitted from Atmos' prior supplemental response.

I. INTERROGATORIES.

11 Lines 164-166 of Mr. Creamer's testimony, filed July 30, 2004, describe how "Atmos could increase its savings on the commodity portion, which it would share in, by entering into relatively high transportation cost arrangements (which would be passed on to the ratepayer) in order to lower commodity costs." Explain in detail how AEC could do this? Who would provide the transportation? Who would provide the gas? How would the gas provider

recover losses from the transportation provider? If AEC could make money doing this, has this already been done? Does AEC intend to pursue the path outlined by Mr. Creamer?

RESPONSE: Atmos could purchase transportation services from a pipeline company and the commodity from that pipeline company's affiliate. The pipeline company may charge "full price" for a service that it might otherwise discount, and have the affiliate offer a discount off the commodity to secure the deal. This "pass-through" of the implied transportation discount to the affiliate's commodity charge to Atmos would be captured as a benefit in the PBR plan, if transportation costs were excluded. Atmos has not to date entered into such transactions. In the future, Atmos intends to follow the guidelines set forth in its PBR tariff, however those guidelines are interpreted or amended by this consolidated docket. Because the appropriate treatment of transportation costs will not be determined until the resolution of this consolidated docket, Atmos is without sufficient information to provide further speculation as to possible future actions.

SUPPLEMENTAL RESPONSE: At the September 15, 2004 status conference in this matter, the hearing officer ordered Atmos to provide an answer to the question of "How would the gas provider recover losses from the transportation provider?" First, that question incorrectly assumes that the gas provider would sustain a "loss" in the hypothetical situation, rather than a reduction in profit. That distinction aside, Atmos does not have sufficient information to know if the gas provider and transportation provider would enter into arrangements to recoup any lost profits, or how those arrangements would be structured.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing has been served via U S
Mail, postage prepaid, upon the following this ~~23~~ day of September, 2004

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